

Ms. Melanie White, Director of Third Party Reimbursement
Marriott Senior Living Services
1 Marriott Drive
Department 831.70
Washington, DC 20058

Re: AC# 3-MBM-J6 – FRP Financing Limited, L.P. d/b/a Myrtle Beach Manor

Dear Ms. White:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**FRP FINANCING LIMITED, L.P.
D/B/A MYRTLE BEACH MANOR
MYRTLE BEACH, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-MBM-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 27, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with FRP Financing Limited, L.P. d/b/a Myrtle Beach Manor, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by FRP Financing Limited, L.P. d/b/a Myrtle Beach Manor, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and FRP Financing Limited, L.P. d/b/a Myrtle Beach Manor dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 27, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

MYRTLE BEACH MANOR
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-MBM-J6

	<u>10/01/97-</u> <u>09/30/98</u>
Interim reimbursement rate (1)	\$79.06
Adjusted reimbursement rate	<u>74.90</u>
Decrease in reimbursement rate	\$ <u><u>4.16</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

MYRTLE BEACH MANOR

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MBM-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.92	\$39.90	
Dietary		9.10	9.01	
Laundry/Housekeeping/Maint.		<u>5.02</u>	<u>7.38</u>	
Subtotal	\$ <u>3.94</u>	49.04	56.29	\$49.04
Administration & Med. Rec.	\$ <u>.72</u>	<u>8.48</u>	<u>9.20</u>	<u>8.48</u>
Subtotal		57.52	\$ <u>65.49</u>	57.52
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		.23		.23
Medical Supplies & Oxygen		1.81		1.81
Taxes and Insurance		1.46		1.46
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>63.53</u>		63.53
Inflation Factor (4.40%)				2.80
Cost of Capital				6.32
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.72
Cost Incentive				3.94
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.91)
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>74.90</u>

MYRTLE BEACH MANOR
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,174,982	\$ 36,845 (8)	\$ 17,204 (3) 1,272 (3) 13,818 (4) 946 (4) 14,864 (5) 2,032 (5) 18,172 (9) 35,804 (9)	\$1,107,715
Dietary	303,027	221,578 (8)	4,342 (3) 3,379 (4) 2,982 (5) 6,082 (7) 219,105 (9)	288,715
Laundry	30,607	22,382 (8)	366 (3) 417 (4) 2,011 (5) 5,854 (9)	44,341
Housekeeping	63,690	78,188 (8)	1,920 (3) 1,441 (4) 2,650 (5) 77,001 (9)	58,866
Maintenance	57,916	311 (6) 71,934 (8)	1,181 (3) 875 (4) 841 (5) 71,291 (9)	55,973
Administration & Medical Records	520,469	174,547 (8)	3,333 (3) 2,431 (4) 135 (4) 2,297 (5) 243 (5) 325,805 (6) 12,668 (7) 79,137 (9)	268,967

MYRTLE BEACH MANOR
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	80,373	1,121 (6) 98,474 (8)	100,421 (9)	79,547
Special Services	7,172	-	12 (4)	7,160
Medical Supplies & Oxygen	64,775	-	7,253 (9)	57,522
Taxes and Insurance	49,321	54,947 (8)	174 (6) 57,715 (9)	46,379
Legal Fees	-	-	-	-
Cost of Capital	219,537	4,771 (2) 11,108 (8) <u>27,953 (10)</u>	370 (1) 57,453 (6) <u>5,184 (9)</u>	200,362
Subtotal	2,571,869	804,159	1,160,481	2,215,547
Ancillary	47,206	-	-	47,206
Non-Allowable	687,377	370 (1) 23,454 (4) 27,920 (5) 382,000 (6) 18,750 (7) <u>676,937 (9)</u>	4,771 (2) 3,868 (3) 770,003 (8) 27,953 (10)	1,010,213
Total Operating Expenses	<u>\$3,306,452</u>	<u>\$1,933,590</u>	<u>\$1,967,076</u>	<u>\$3,272,966</u>
Total Patient Days	<u>*31,725</u>	<u>-</u>	<u>-</u>	<u>31,725</u>

*Adjusted to 97% occupancy

MYRTLE BEACH MANOR
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$ 11,302	
	Nonallowable	370	
	Fixed Assets		\$ 7,956
	Accumulated Depreciation		3,346
	Cost of Capital		370
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	4,771	
	Nonallowable		4,771
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Accrued Salaries	33,486	
	Nursing		17,204
	Restorative		1,272
	Dietary		4,342
	Laundry		366
	Housekeeping		1,920
	Maintenance		1,181
	Administration		3,333
	Nonallowable		3,868
	To properly charge salaries applicable to the subsequent period HIM-15-1, Section 2302.1		
4	Nonallowable	23,454	
	Nursing		13,818
	Restorative		946
	Dietary		3,379
	Laundry		417
	Housekeeping		1,441
	Maintenance		875
	Administration		2,431
	Medical Records		135
	Special Services		12
	To adjust workers' compensation expense and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MYRTLE BEACH MANOR
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	27,920	
	Nursing		14,864
	Restorative		2,032
	Dietary		2,982
	Laundry		2,011
	Housekeeping		2,650
	Maintenance		841
	Administration		2,297
	Medical Records		243
	To adjust group insurance expense to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Maintenance	311	
	Utilities	1,121	
	Nonallowable	382,000	
	Administration		325,805
	Taxes and Insurance		174
	Cost of Capital		57,453
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	18,750	
	Dietary		6,082
	Administration		12,668
	To properly offset income against related expense HIM-15-1, Sections 2304 and 2328		
8	Restorative	36,845	
	Dietary	221,578	
	Laundry	22,382	
	Housekeeping	78,188	
	Maintenance	71,934	
	Administration	174,547	
	Utilities	98,474	
	Taxes and Insurance	54,947	
	Cost of Capital	11,108	
	Nonallowable		770,003
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MYRTLE BEACH MANOR
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	676,937	
	Nursing		18,172
	Restorative		35,804
	Dietary		219,105
	Laundry		5,854
	Housekeeping		77,001
	Maintenance		71,291
	Administration		79,137
	Utilities		100,421
	Taxes and Insurance		57,715
	Medical Supplies		7,253
	Cost of Capital		5,184
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Cost of Capital	27,953	
	Nonallowable		27,953
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,978,378</u>	<u>\$1,978,378</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MYRTLE BEACH MANOR
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	33,022	
Number of Beds	<u>49</u>	<u>36</u>	<u>19</u>	
Deemed Asset Value	1,618,078	1,188,792	627,418	
Improvements Since 1981	652,794	112,534	17,957	
Accumulated Depreciation at 9/30/96	<u>(755,482)</u>	<u>(233,000)</u>	<u>(12,389)</u>	
Deemed Depreciated Value	1,515,390	1,068,326	632,986	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	106,077	74,783	44,309	
Number of Days in Period	<u>366/366</u>	<u>366/366</u>	<u>84/366</u>	
Adjusted Annual Return	106,077	74,783	10,169	
Return Applicable to Non-Reimbursable Cost Centers	(6,807)	(4,798)	(652)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	99,270	69,985	9,517	
Depreciation Expense	46,719	27,581	8,047	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(26,183)	(19,237)	(10,153)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,951)</u>	<u>(1,735)</u>	<u>(498)</u>	<u>Total</u>
Allowable Cost of Capital Expense	116,855	76,594	6,913	\$200,362
Total Patient Days (Minimum 97% Occupancy)	<u>17,396</u>	<u>12,781</u>	<u>1,548</u>	<u>31,725</u>
Cost of Capital Per Diem	\$ <u>6.72</u>	\$ <u>5.99</u>	\$ <u>4.47</u>	\$ <u>6.32</u>

MYRTLE BEACH MANOR
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-MBM-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.51	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.50</u>	<u>\$5.99</u>	<u>\$4.47</u>
Reimbursable Cost of Capital Per Diem		\$6.32	
Cost of Capital Per Diem		<u>6.32</u>	
Cost of Capital Per Diem Limitation		\$ <u>-</u>	